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C O N F I D E N T I A L SECTION 01 OF 02 BUDAPEST 002517

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SUBJECT: OUTGOING SZDSZ LEADER PREDICTS RENEWED PROTESTS,
URGES CONTINUED COALITION SOLIDARITY

REF: BUDAPEST 2489

Classified By: POL/C Eric V. Gaudiosi; Reasons 1.4 (b) and (d)

11. (U) Outgoing SZDSZ party president Gabor Kuncze shared his thoughts on the future of his own party, the governing coalition, and the Gyurcsany government with Ambassador Foley at an ambassadors' lunch in his honor December 20.

WHITHER THE SZDSZ ... OR IS THAT WITHER THE SZDSZ?

12. (C) Looking past the SZDSZ's recent electoral losses and toward its future, Kuncze commented that the party must remain true to its founding principles of economic conservatism and social liberalism. The SZDSZ, he continued, should focus on bringing its message of transparency and opportunity to new groups without "patronizing them."
(Comment: It is unclear whether Kuncze is referring to the party's need to revamp its intellectual image or to specific outreach to groups such as the Roma. End Comment.)

13. (C) The upcoming contest to replace Kuncze will help determine the party's direction (reftel). Kuncze did not venture a prediction as to the outcome, but described Minister of Finance Koka as a "better symbol of renewal" but MP Fodor as "more representative of our base."

14. (C) Turning to the future of the party's long-time coalition with the MSZP, Kuncze acknowledged the irony of the Alliance between the anti-communist SZDSZ and the "successor party." That said, he bluntly assessed that there are "no other options," specifically questioning the ability of the center-right MDF to expand its base given competition from FIDESZ.

LOYALTY WITHOUT REGARD FOR GYURCSANY; RESPECT WITHOUT TRUST
FOR ORBAN

15. (C) Kuncze expressed little personal connection with PM Gyurcsany despite his dogged loyalty throughout the past months, describing the PM as "a very inexperienced politician ... "more highly regarded abroad than in Hungary." Kuncze commented that Gyurcsany has "stumbled badly" and "should have resigned" given his loss of personal credibility. Ultimately, however, Kuncze believes the SZDSZ should "stick with Gyurcsany ... as long as he sticks with reform." Although he sees the importance of differentiating the SZDSZ from the MSZP by emphasizing "modernization and competitiveness," the party should not "distance itself just for distance's sake."

16. (C) Gyurcsany will have enough trouble, Kuncze predicted. He believes "the spring will be as tough as the fall," and is convinced Orban is preparing a coordinated series of "livelihood demonstrations" once the economic impact of austerity measures hits home. He emphasized that he

mistrusts Orban but "never underestimates his political genius." He added, however, that Orban will need to be at the top of his game to continue FIDESZ's "excommunication" policy regarding PM Gyurcsany given the desire of many within the party to deal with the government in order to ensure access to EU development funds.

17. (C) Kuncze believes that compromise between the government and the opposition remains possible despite the polarization caused by Gyurcsany and Orban. He cited party financing, the electoral system, local government, regional development, education, taxes, and competitiveness as areas where the parties should be able to reach practical solutions. They will have to, he concluded, if Hungary is to reach the EU's "first tier."

PREDICTIONS

18. (C) Kuncze did not discount a leadership change before the 2010 elections. He conceded that SZDSZ is looking for replacement candidates who are capable of winning the 2010 elections. If Gyurcsany survives the spring, he thought the ideal timing for replacement would be 2008, after the reforms are completed and in time for the replacement PM to ride the post-reform recovery wave into the next elections. Although some in the MSZP may want to change horses, Kuncze emphasized that "Gyurcsany was chosen for a reason: he had a better chance of beating Orban than the alternatives." In his view, the PM's rivals within the MSZP - Labor Minister Kiss, Defense Minister Szekeres, and Parliamentary Speaker Szili - are neither as able nor as inclined to continue the process of reform.

19. (C) Comment: Although Kuncze will remain in Parliament,

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his departure from the party presidency is being mourned by politicians and observers across the political spectrum. Though often described as the funniest man in Hungarian politics, there is no doubt that Kuncze is a serious player whose decision to step down could hurt two parties: his own and Gyurcsany's MSZP. End Comment.

FOLEY